

Congress of the United States  
CONGRESSIONAL OVERSIGHT PANEL

## Opening Statement of Elizabeth Warren

### Congressional Oversight Panel Hearing on GMAC Financial Services

February 25, 2010

Good morning. My name is Elizabeth Warren, and I am the chair of the Congressional Oversight Panel.

Because today's hearing will focus on Treasury's efforts to stabilize GMAC through the Troubled Asset Relief Program, it makes sense to begin with an accounting of the assistance to date. As of today, taxpayers have spent \$17.2 billion to bail out GMAC. We now own 56.3 percent of the company.

Other banks have received tens of billions of dollars under TARP, but aspects of GMAC's funding are without precedent. Of all of the banks bailed out under TARP, only GMAC received money through the Automotive Industry Financing Program – an initiative originally established to support General Motors and Chrysler. Of all of the banks bailed out under TARP, only GMAC needed additional TARP funds to meet the capital buffers required under the stress tests.

GMAC's unusual treatment by Treasury may be due in part to the company's unusual history. It was founded in 1919 as a wholly-owned subsidiary of General Motors, intended to provide financing for clients to buy cars and dealers to buy inventory. Since then, GMAC has expanded far beyond the realm of automotive lending to provide home mortgages, auto insurance for both the dealers and consumers, and even credit to various manufacturers and distributors in the non-auto sectors. In 2006 it ceased to be a subsidiary of GM. It now ranks as the fourteenth largest bank in the United States.

Even in light of GMAC's unique background, Treasury's exceptional actions require special scrutiny. Today's hearing will help inform the Panel's March oversight report, which will examine the ways that TARP was used to support GMAC, the rationale behind that support, and the approach being taken by GMAC's new management to return the company to profitability and repay taxpayers. The Panel would also like to explore the issue as to whether GMAC is lending again and whether it is lending on favorable terms.

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Let us not forget, Treasury bailed out GMAC on no fewer than three occasions – in December 2008, May 2009, and finally in December 2009. On each occasion, Treasury had a choice to make on behalf of taxpayers. Was another bailout worth it? Was GMAC such a unique, irreplaceable player in our financial system that it must not be allowed to collapse? Or should it be required to bear the full cost of its mistakes and suffer failure? Three times, GMAC asked Treasury to cast it a lifeline, and three times, Treasury said yes. The critical question that we must ask going forward is, was this the best and most appropriate possible use of taxpayer dollars under TARP? And can we expect a request for a fourth bailout in the future?

To help the Panel examine these issues, we will hear from three panels of witnesses. On our first panel, we are joined by two members of the Administration: Ron Bloom, Senior Advisor to the Secretary of the Treasury on the Presidential Task Force on the Auto Industry; and Jim Millstein, chief restructuring officer for Treasury.

On our second panel, we will hear from two executives from GMAC: Chief Executive Officer Michael Carpenter and Chief Financial Officer Robert Hull.

Finally, on our third panel we will hear from industry analysts: Christopher Whalen, senior vice president and managing director of Institutional Risk Analytics and Michael Ward, an analyst for Soleil-Ward Transportation Research.

To all of our witnesses, please know that we are sincerely thankful to you for joining us. These are complex issues of national importance, and we appreciate your willingness to help us learn from your perspectives.

Before we proceed with the first panel, allow me to first offer my colleagues an opportunity to provide their own opening remarks.